

Is the gig economy working for you?

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Depending on who you talk to, the gig economy is either the greatest innovation ever to hit the American workforce or the beginning of the end of employment as we know it. The truth, of course, lies somewhere in between. And frankly, we may not know which of these claims is more accurate any time soon.

On the outside chance you haven't heard the term yet, "gig economy" refers to the growing number of people in the workforce who instead of having full-time employment have a series of temporary, short-term jobs. Uber drivers come to mind immediately, but there are many different opportunities for this type of work.

An increasing number of people find themselves-either voluntarily or involuntarily-working this way. Whether they are called contractors, temporary workers, contingent workers, freelancers or other similar terms, their positions all fall under the umbrella of what is known as "alternative work arrangements." The key factor in these types of positions is that workers are not employees of the company; they are considered self-employed. The growth in these types of jobs has been explosive: According to research conducted by economists Alan Krueger and Lawrence Katz, 9 million new jobs were created between 2005 and 2015 in these categories, while traditional jobs declined by 400,000.

The benefits to employers of people with alternative work arrangements are fairly obvious. They allow for greater flexibility in scheduling for seasonality as well as fluctuations in business needs. They also allow companies to avoid the typical managerial concerns of doing performance appraisals and dealing with various employment-related issues. But perhaps most attractive to employers is that a contracted workforce is cheaper because employers generally don't offer benefits to contracted employees, and they don't pay employee payroll taxes such as Social Security and unemployment.

There are many people who love working as a free agent. Those who do say it provides flexibility, including the freedom to pick and choose the work they want. In many cases, they can choose their own hours and, depending on the type of work, where they work, as well.

Despite the freedom and flexibility though, 65 percent of millennials prefer full-time opportunities, according to the Deloitte 2017 Millennial Survey. The most common reasons given are job security and a fixed income. Indeed, the lack of job security and a dependable income can create real sources of anxiety, even for those who truly enjoy non-traditional work arrangements.

It's not just the lack of a steady paycheck that can worry people. Finding health care insurance outside an employer plan can be challenging and expensive. Also, while the new tax law appears

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to be more favorable to alternative work arrangements, contracted employees still need to handle their own tax withholdings, and they'll be responsible for the employer's portion of Social Security and Medicare tax (currently, 7.65 percent combined) in addition to their own. Further, contractors don't qualify for unemployment benefits or workers' compensation benefits as non-employees.

Perhaps one of the most important concerns for independent contractors is the lack of a retirement plan. It's estimated that only 16 percent of those in alternative work arrangements have a retirement savings plan compared to more than half of people who have access to one through an employer, according to a survey done by Prudential. It's such an important issue that the U.S. Senate held a hearing in February entitled "Exploring the 'Gig Economy' and the Future of Retirement Savings." The fear is that many contracted employees are not saving enough-or anything-for retirement.

David John, co-director of The Retirement Security Project at Brookings Institution and an advisor with the AARP Public Policy Institute, spoke with CNBC about this looming concern.

"With someone in a contingent worker's role, you have to make all of these decisions yourself. When people don't have choices they're completely comfortable with and understand, they tend to put off that decision," he said.

The gig economy is here to stay. The key for both employers and employees is to maximize the positive aspects while mitigating the less desirable outcomes. For employers, that means refraining from knee-jerk reactions to contract out as many positions as possible. Instead, employers should analyze which jobs are well-suited to the alternative work practice and identify those that are better suited to an employment arrangement that encourages loyalty and organizational commitment.

On the flip side, potential freelancers need to realistically reflect on their need for greater economic certainty that comes with being employed full time, as well as their ability and discipline to manage their future financial well-beings.